

CHAPTER 7. SUBSIDY LAYERING/TAX CREDITS

7-1. GENERAL. Section 102 of the Department of Housing and Urban Development Reform Act of 1989 (Public Law 101-235) requires applicants seeking HUD insured multifamily mortgages to disclose assistance to be received from other government sources, the financial interests of persons involved in the project and the sources of funds to be made available to the project and the uses to which the funds are to be put.

7-2. COST CERTIFICATION REQUIREMENTS. In addition to submitting the documents required by paragraph 3-2.B, the mortgagor must also include the following in the cost certification submission:

- A. A brief summary of the terms on which the owner will participate (is participating) in the LIHTCs program. Include:
  - 1. The annual credit amount, the type(s) of credit (acquisition and/or rehab); the date the 10-year credit period will begin; the credit percentage awarded for each type of credit; and the maximum qualified basis for each type of credit.
  - 2. Which income eligibility limit will apply (50/60 percent of median income) and how many units, if any, will be set-aside for families with incomes below 40 percent of the median income (deep-rent skewing).
  - 3. List of units for which credits will be claimed. Give the number of units in each bedroom size and the initial tax credit rent limit for each unit size. Also, indicate which units, if any, will be held for families with incomes below 40 percent of the median income.
- B. A copy of IRS Form 8609, Low Income Housing Tax Credit Allocation Certification, if there has been any change since the copy submitted in an early stage of processing.
- C. A report on the status of any tax credit allocation still in process and a copy of any credit agency reservation form or other document indicating agencies intent to award credits to the project.

- (7-2) D. A statement in which the applicant agrees to promptly notify the HUD Field Office of any change in the information provided in the information detailed by the mortgagor's accountant relative to

the LIHTCs.

E. The following information audited by a CPA or IPA and as of the cut-off date:

1. For those cases where the mortgagor entity or third party obtains a bridge loan,
  - a. Source of funding of the loan.
  - b. original amount of the loan.
  - c. Term.
  - d. Interest rate.
  - e. Summary of repayment provisions.
  - f. Monthly summary of balance remaining and accrued interest.
  - g. Uses of expended funds.
  - h. Summary of payments of interest and principal and funding sources for these payments (i.e., investor contributions, advance from principal sponsors, etc.).
2. A Schedule of Syndication Proceeds.
  - a. The amount of syndication proceeds received from the investing partner(s) to date.
  - b. Purposes for which syndication proceeds received as of the cut-off date were used.
  - c. Dates, terms and conditions under which future investor contributions are to be made.
3. Comparative Sources and Uses of Funds Statement which identifies changes between the statement approved by HUD during commitment processing and the statement prepared as of cost certification cut-off date. The Sources and Uses of Funds Statement must itemize:
  - a. All available funds,

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- 1) Mortgage proceeds.
- 2) Grants/loans from:
  - a) Federal, State and/or local

governments.

- b) Nongovernment sources.
  - 3) Gross amount of syndication proceeds before deducting syndication, legal or other intermediary costs. Include both funds received to date and anticipated funds from future investor contributions. Attach a list of the dates and amounts to be received from future investor contributions.
- b. All purposes for which funds will be disbursed.
  - 1) Breakdown should identify the uses for each source of funding.
  - 2) Identify actual uses to date and anticipated future uses.
- c. Notes to the comparative statement should provide a detailed explanation of any changes.